

Message Text

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ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 EUR-25 AID-20 CIAE-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03

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R 130416Z SEP 73

FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8716
INFO AMCONSUL SYDNEY
AMCONSUL HONG KONG
USDOC WASHDC

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E.O. 11652: N/A

TAGS: EFIN, ID

SUBJ: EXIMBANK LOAN TO CANTRANS GROUP

REF: A) SYDNEY 2171 B) STATE 152852 (NOTAL) C) JAKARTA 9107 (NOTAL)

1. REF C. REPORTED PYPER'S REQUEST FOR EMBASSY ASSISTANCE AND ASKED FOR EXIM ADVICE, WHICH GIVEN REF B. REFS B AND C BEING REPEATED SYDNEY AND HONG KONG.
2. UPON RECEIPT REF B AND AFTER FURTHER CONSULTATION WITH PYPER, EMBOFF (ACTING E/CM COUNSELOR) AUGUST 24 CALLED ON MARYANTO, DEPUTY GENERAL MANAGER OF BANK INDONESIA. EMBOFF URGED FAVORABLE CONSIDERATION OF CANTRANS LOAN, STRESSING DESIRABILITY INCREASING EXIM PARTICIPATION IN INDONESIAN DEVELOPMENT, MUTUAL BENEFITS TO U.S. AND INDONESIA FROM EXIM-FINANCED SALES OF EXCELLENT U.S. FORESTRY EQUIPMENT, AND (DRAWING ON REF B) INDONESIAN PRECEDENTS FOR OFFSHORE TRUST ARRANGEMENT WHICH BOTH EXIM AND CANADIAN EDC ARE REQUIRING AS SECURITY IN CANTRANS CASE.

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3. MARYANTO REPLIED PROBLEM WAS BETWEEN CONTRANS AND

CANADIAN AND U.S. EXIMBANKS, IN THAT CANTRANS WAS UNABLE TO PROVIDE FINANCIAL GUARANTES OR OTHER SECURITY SATISFACTORY TO THEM. PROPOSED OFFSHOR TRUST ARRANGEMENT, HE SAID, HAD HITHERTO BEEN RESTRICTED TO A FEW MINING LOANS AND BANK INDONESIA FOR POLICY REASONS WAS NOT FAVORABLE INCLINED TOWARD EXTENDING THIS TYPE OF ARRANGEMENT TO FORESTRY OR OTHER FIELDS. HOWEVER, MARYANTO SAID DECISION HAD NOT YET BEEN REACHED AND PROMISED THAT BANK INDONESIA WOULD TAKE U.S. AND CANADIAN EMBASSY REPRESENTATIONS INTO CONSIDERATION.

4. ACCORDING CANADIAN EMBASSY HERE, THEY HAVE WRITTEN ONE LETTER ON CASE (REF A, PARA 3) TO CAPITAL INVESTMENT COORDINATING BOARD URGING APPROVAL OF INVESTMENT, FOREIGN EQUITY IN WHICH IS VIRTUALLY ALL CANADIAN. LETTER DID NOT ADDRESS LOAN QUESTION; THEIR REPRESENTATIONS ON THIS TO BANK INDONESIA, LIKE OURS, WERE ORAL. CANADIAN EMBASSY OFFICER JUST BACK FROM OTTAWA REPORTS THAT EDC CONSIDERING SENDING REPRESENTATIVE OUT HERE TO EXPLAIN THEIR POSITION TO BANK INDONESIA. SAME OFFICER THINKS THAT IF THIS APPROACH UNSUCCESSFUL, EDC COULD WEAKEN IN ITS INSISTENCE ON OFFSHORE TRUST ARRANGEMENT.

5. COMMENT: IF THIS SHOULD HAPPEN AND U.S. EXIM POSITION UNCHANGED, EXIM FINANCING AND RESULTING U.S. EXPORTS COULD GO BY THE BOARDS. OUR CANADIAN SOURCE DOUBTS THAT EDC IS COORDINATING WITH EXIM, ALLEGEDLY BECAUSE OF ILLNESS EDC EAST ASIAN EXPERT. SUGGEST EXIM MAY WISH SOUND OUT EDC ON THEIR CURRENT THINKING.
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